

August 18, 2003

K-12 Education Mandates: Outstanding Costs and Candidates for Suspension

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented To:

Assembly Special Committee on State Mandates





K-12 Mandate Costs Exceed \$1 Billion

Estimated Unfunded K-12 Education Mandate Costs	
<i>(In Millions)</i>	
Source	Amount ^a
Claims in excess of appropriations prior to 2002-03	\$403.0
2002-03 mandate costs	229.0
2003-04 mandate costs	245.2
Claims for newly approved mandates	214.4
Total	\$1,091.6

^a Estimates assume negligible costs for the School Bus II mandate.

☑ Outstanding mandate costs come from a combination of sources:

- Between 1998-99 and 2001-02 the state appropriated \$403 million less than actual costs for K-12 education mandates.
- Deferring K-12 mandate costs in 2002-03 and 2003-04, increased the state's obligations by \$229 million and \$245 million respectively.
- Estimated costs of newly approved state mandates (including prior year costs) is approximately \$215 million.

☑ These unfunded costs do not include estimated costs of mandates in the pipeline or costs resulting from continuing to defer mandates in 2004-05.



Annual Appropriations Have Not Kept Pace With Costs

Prior Year Appropriations Do Not Cover Mandated Costs					
<i>(In Millions)</i>					
	1998-99	1999-00	2000-01	2001-02	Totals
Controller reported costs	\$208.7	\$240.4	\$237.9	\$212.8	\$899.7
Appropriations	90.7	94.9	150.8	160.3	496.7
Unfunded mandate costs	\$118.0	\$145.5	\$87.1	\$52.4	\$403.0

☑ Prior year appropriations do not fully cover the costs of mandates. Two main causes for this underbudgeting include:

- The state does not adequately adjust for growth in mandate costs that occurs as school districts become more familiar with mandates and improve billing practices. For example, between 1998-99 and 2001-02 the state underpaid the cost of the Emergency Procedures mandate by \$42 million, roughly half the cost of that mandate during those years.
- When new mandates are approved, it is often many years after the fact, and the state must pay prior year costs. For example, the state has never appropriated funding for costs of State Crimes Reporting II (\$32 million) because this is a recently determined mandate.
- In years with large increases in Proposition 98 funding (\$4.1 billion in 1999-00 and \$3.1 billion in 2000-01) the state did not address outstanding mandate costs.